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The ECCLblog

Are Corporations Gendered?

Posted on [August 5, 2015](#) by [Remus Valsan](#)

To the dyed-in-the-wool neoclassical law and economics scholar, thinking about business corporations in terms of gender attributes is pushing the reification metaphor a notch too far. An emerging corporate governance body of research, however, suggests that there are connections between values that are stereotypically associated with the masculine or feminine gender, and the values that directors and managers prioritise. Directors who emphasise stereotypical masculine values such as power, achievement and competitiveness, are more shareholder oriented. Conversely, universalism, benevolence and concern with relationships, values associated with the feminine gender, correlate positively with a stakeholder approach. As the Anglo-American model of corporate governance moves away from unmitigated shareholder primacy towards a more long-term, stakeholder-inclusive approach, managers and boards of directors are expected to display more attributes belonging to the female gender and leadership stereotypes. This insight brings a new perspective on the multitude of recent legislative, regulatory and market-based initiatives aimed at increasing female representation in the boardroom and in executive positions.

Corporate personality and corporate values

Neoclassical and institutional economics, which have been the dominant ideologies behind the Anglo-American model of corporate governance over the past few decades, attach little importance to the idea of separate corporate legal personality. Building on the visionary insights of Berle & Means, Coase, and Jensen & Meckling, the prevailing contemporary understanding of the corporation emphasises its contractual foundations. The corporation is neither a person, nor a thing capable of being owned, but a set of contracting relationships among individuals. References to its separate personality only obscure the essence of these transactions.[\[1\]](#)

Before the rise of the neoclassical theory of the firm, philosophers, political scientists and lawyers were engaged in seemingly interminable debates about the real or fictitious nature of the corporate personality. These controversies died down at the end of 1920s, when the corporate realism theory succumbed to a series of persuasive critiques.[\[2\]](#) In the recent years, however, the interest in realist ideas has been revived by issues such as corporate criminal liability, or the extent to which corporations should be given human rights, such as freedom of speech, freedom of religion, or the right not to provide self-incriminating evidence. Another current problem that echoes past controversies on corporate personality is whether corporations can be said to have interests and values.

The problem of corporate interests and values is often addressed from the shareholders versus stakeholders orientation of directors and managers. The shareholder-stakeholder debate is as old as the modern theory of the firm. Launched with the Berle-Dodd dispute of the early 1930s, the issue of whom directors and managers should serve continues unabated to this day.[\[3\]](#) The Anglo-American corporate governance has traditionally embraced the shareholder wealth maximisation perspective. Legislative and regulatory reforms over the past decades, however, have given more prominence to the interests of non-financial corporate stakeholders. These reforms include increased transparency on non-financial and sustainability issues, and fiduciary duties to consider the interests of non-shareholder constituencies. The shift towards a more inclusive stakeholder approach has affected the public perceptions and expectations regarding effective corporate leadership.

Corporate values and gender stereotypes

An emerging strand of research in corporate governance links the shareholder versus stakeholder interests orientation with feminine and, respectively, masculine attributes and leadership styles.

Research on gender stereotypes consistently identifies two distinct types of behaviour, labelled “agentic” and “communal”. The agentic qualities are associated with a masculine style and the communal qualities are regarded as feminine. The agentic stereotype refers to a self-interested, task-focused orientation and concern with mastery, dominance, and control. The communal stereotype refers to an interpersonal orientation and concern with relationships and the welfare of others.^[4]

In the context of leadership roles, research has established the existence of a deeply-rooted perception that effective leaders are endowed with agentic qualities, such as ambition, confidence, self-sufficiency, and dominance, and display fewer communal attributes. The role of business executive, in particular, is thought to require agentic attributes such as task focus, decisiveness, and competitiveness. This perceived fit between what is managerial and what is masculine led to the “think manager – think male” effect, which has proven to be relatively durable since the early 1970s.^[5]

These gender differences have also been found at boardroom level. Adams and Funk found that male and female directors are significantly different in terms of priorities and sets of values. Male directors are more concerned with power and task achievement, while female directors care more about universalism and benevolence.^[6]

Furthermore, Adams et al. provide evidence that these differences in values between male and female directors correspond to a difference in shareholder and stakeholder orientation. Directors who emphasise stereotypical agentic values are more shareholder oriented. Conversely the feminine communal leadership style correlates negatively with a shareholder wealth maximization approach. ^[7] Further research confirms these insights. Bear et al. show that firms with a higher percentage of female directors are more stakeholder oriented. They have more favourable work environments, higher concern for environmental CSR and a higher level of charitable giving.^[8] Matsa and Miller provide direct evidence that Norwegian firms affected by gender quotas increased their employee costs and employment levels, while decreasing their returns to shareholders.^[9]

Enlightened shareholder value and the androgynous board

In recent years, the “think manager – think male” phenomenon has shown signs of subsidence. Several factors have combined to create an emerging, androgynous leadership style.

At market level, the increasing presence and visibility of females in leadership positions are gradually altering perceptions about optimal leadership attributes.^[10] At doctrinal level, there is a growing recognition that effective leadership requires a combination of the features associated with the masculine, task-oriented and the feminine, relations-oriented leadership styles. Thus, a new dimension to gender and leadership stereotypes has been added: the androgynous leadership style, incorporating both male and female qualities.^[11]

The increased relevance of stakeholder concerns in Anglo-American corporate governance brings to the forefront the need to redefine the set of values on which the model of effective leadership is based. The board’s ability to nurture strong relations with the various corporate stakeholders has become a central part of its overall purpose and function. The relational function of the board is increasingly recognized as central in providing and maintaining resource networks that are essential for the company’s survival and success. Thus, the stereotypical feminine qualities of interpersonal orientation and concern with the welfare of others have become an essential requirement for an effective board.

Notes

^[1] Michael Jensen and William Meckling, “Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure” (1976) 3 *Journal of Financial Economics* 305 at 310; Frank Easterbrook and Daniel Fischel, “The Corporate Contract” (1989) 89 *Columbia Law Review* 1416 at 1426.

^[2] William Bratton, Jr., “The New Economic Theory of the Firm: Critical Perspectives from History” (1989) 41 *Stanford Law Review* 1471 at 1491.

^[3] Adolf Berle, “Corporate Powers as Powers in Trust” (1931) 44 *Harvard Law Review* 1049; E. Merrick Dodd,

“For Whom Are Corporate Managers Trustees?” (1932) 45 Harvard Law Review 1145; Adolf Berle, “For Whom Managers Are Trustees: A Note” (1932) 45 Harvard Law Review 1365.

[4] See David Bakan, *The Duality of Human Existence: Isolation and Communion in Western Man* (Boston: Beacon Press, 1966); Linda Carli and Alice Eagly, “Gender Effects on Social Influence and Emergent Leadership” in Gary Powell, ed., *Handbook of Gender and Work* (Thousand Oaks, CA: Sage, 1999) 203; Ronit Kark and Alice Eagly, “Gender and Leadership: Negotiating the Labyrinth” in Joan Chrisler and Donald McCreary, eds., *Handbook of Gender Research in Psychology*, vol. 2 (New York: Springer, 2010) 443 at 448-449.

[5] Richard Martell et al., “Sex Stereotyping in the Executive Suite: ‘Much Ado about Something’” (1998) 13 Journal of Social Behavior and Personality 127.

[6] Renee Adams and Patricia Funk “Beyond the Glass Ceiling: Does Gender Matter?” (2012) 58 Management Science 219 at 220.

[7] Renee Adams, Amir Licht and Lilach Sagiv, “Shareholders and Stakeholders: How Do Directors Decide?” (2011) 32 Strategic Management Journal 1331 at 1348.

[8] Stephen Bear, Noushi Rahman and Corinne Post, “The Impact of Board Diversity and Gender Composition on Corporate Social Responsibility and Firm Reputation” (2010) 97 Journal of Business Ethics 207 at 210.

[9] David Matsa and Amalia Miller, “A Female Style in Corporate Leadership? Evidence from Quotas” (2013) 5 American Economic Journal: Applied Economics 136.

[10] These initiatives include: non-profit organisations (such as Catalyst, The 30% Club, or 2020 Women on Boards), diversity awards (such as the Catalyst Award, or DiversityInc Top 50 Companies for Diversity), diversity indexes (such as Gender Diversity Index (GDI) of Fortune 1000 Companies) and board-ready female databases (such as Global Board Ready Women).

[11] Daewoo Park, “Androgynous Leadership Style: An Integration Rather than a Polarization” (1997) 18 Leadership & Organization Development Journal 166; Anne Koenig et al., “Are Leader Stereotypes Masculine? A Meta-Analysis of Three Research Paradigms”, (2011) 137 Psychological Bulletin 616.

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